

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15  
STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01  
OPIC-06 ACDA-10 IO-13 /125 W  
-----051020Z 064490 /13

R 050756Z APR 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 0242

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY VIENNA

AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 STOCKHOLM 1473

E.O. 11652: N/A

TAGS: ETRD, EFIN, SW

SUBJECT: GOS STATEMENT ON TRADE AND FOREIGN EXCHANGE POLICY,  
MARCH 30

1. IN THE COURSE OF THE GOS DEBATE ON FOREIGN POLICY ON  
MARCH 30, THE MINISTER OF COMMERCE, STAFFAN BURENSTAM LINDER,  
MADE A STATEMENT ON SWEDEN'S POLICIES WITH RESPECT TO TRADE  
AND FOREIGN EXCHANGE. THERE WERE NO SURPRISES, ALTHOUGH WITHIN  
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TWO DAYS THE GOVERNMENT ANNOUNCED THAT IT WOULD SEEK AN IN-  
CREASE IN THE VALUE ADDED TAX AND DECLARED A SIX PERCENT DE-  
VALUATION OF THE KRONA AGAINST THE DMARK (SEPTTEL). THESE  
MOVES WERE NOT INCONSISTENT WITH THE GENERAL TERMS OF LINDER'S  
STATEMENT, HOWEVER.

2. FREE TRADE. SWEDEN BENEFITS, AS AN INDUSTRIAL

NATION WITH A LARGE PROPORTION OF ITS GROSS DOMESTIC PRODUCT DEPENDENT ON FOREIGN MARKETS, FROM THE GENERALLY FREE-TRADING SYSTEM ERECTED SINCE WORLD WAR II, LINDER EMPHASIZED. BUT TENSIONS AND STRAINS HAVE ARISEN IN RECENT YEARS WITH OIL PRICE INCREASES, HIGH RATES OF INFLATION, VARYING INTERNAL POLICIES, AND STRUCTURAL DIFFERENCES BETWEEN HIGH AND LOW WAGE COST COUNTRIES. HEAVY CURRENT ACCOUNT DEFICITS HAVE OCCURRED FOR MANY COUNTRIES. IT IS MOST IMPORTANT THAT THESE STRAINS DO NOT LEAD TO GENERAL EROSION OF THE TRADING SYSTEM; INCREASED PROTECTIONISM WOULD LEAD ONLY TO THE DETERIORATION OF MATERIAL WELFARE OF ALL. THUS SWEDEN WILL CONTINUE TO WORK FOR THE EXTENSION OF TRADE PLEDGE IN THE OECD AND THE LIBERALIZATION OF INTERNATIONAL TRADE IN THE GATT (MTN). THE GOAL OF A GENERAL SETTLEMENT BY 1978 SET IN TOKYO IN 1973 WILL UNDOUBTEDLY SLIP. IN THESE NEGOTIATIONS SWEDEN WILL SUPPORT TARIFF REDUCTIONS EMPHASIZING THE HARMONIZATION OF TARIFFS, I.E., WHEREBY HIGH TARIFFS ARE REDUCED MORE THAN LOW ONES. SAFEGUARDS ARE NECESSARY FOR THE SMALLER COUNTRIES IN PARTICULAR, WHERE AUTHORITIES MUST STRIKE A BALANCE BETWEEN INTERVENING IN SOME INSTANCES OF MARKET DISTURBANCE BUT AVOIDING UNNECESSARY INTERFERENCE.

3. DEVELOPING COUNTRIES. SPECIAL CONSIDERATION MUST BE GIVEN TO THE INTERESTS OF THE LDCS, LINDER SAID. SWEDEN REMOVED MANY TARIFFS ON TROPICAL PRODUCTS ON JANUARY 1 OF THIS YEAR. ALL TROPICAL PRODUCTS NOW ENTER DUTY-FREE, AS DOES 90 PERCENT OF THE TOTAL IMPORTS FROM UNCLASSIFIED

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DEVELOPING COUNTRIES, AND 99 PERCENT OF THE IMPORTS FROM THE LEAST DEVELOPED. GATT'S SYSTEM PROVIDES FOR MUTUALLY BALANCED RIGHTS AND OBLIGATIONS WITHOUT DISCRIMINATION BETWEEN TRADING MEMBERS; THESE PRINCIPLES ARE NOT JUST FOR THE INDUSTRIALIZED NATIONS, BUT FOR THE DEVELOPING COUNTRIES AS WELL, WITH THE ADDED FEATURE THAT CERTAIN EXEMPTIONS AND SPECIAL BENEFITS BE ACCORDED THE LATTER. THE GENERAL SYSTEM OF PREFERENCE IS AN EXAMPLE OF SUCH MEASURES. SWEDEN GIVES ACTIVE SUPPORT TO EFFORTS TO STRENGTHEN THE POSITION OF THE LDCS IN THE GATT FRAMEWORK.

4. UNCTAD AND CIEC. UNCTAD IV REVEALED THE GREAT DIFFERENCES IN OPINION BETWEEN THE DCS AND LDCS ON THE WORLD ECONOMIC ORDER, LINDER NOTED, ESPECIALLY ON RAW MATERIAL AND DEBT BURDEN QUESTIONS. THE "PARIS DIALOGUE" HAS SOUGHT TO BRIDGE THE GAP, BUT GENUINE PROGRESS DEPENDS HEAVILY ON THE US. THE NEW DATE FOR A MINISTERS' MEETING IS SET FOR MAY OR JUNE. "THE RISK OF A GRAVE

DETERIORATION IN RELATIONS BETWEEN INDUSTRIALIZED AND DEVELOPING COUNTRIES IF SUCH PROGRESS IS NOT MADE IS OBVIOUS." SWEDEN HAS PRESENTED CONCRETE PROPOSALS FOR A SETTLEMENT. (COMMENT: LINDER WAS PROBABLY REFERRING TO THE ULLSTEN MEMO ON CIEC SENT TO EMBASSY STOCKHOLM --STOCKHOLM 1046--AND LEFT BY AMBASSADOR WACHTMEISTER WITH US OFFICIALS COOPER AND SOLOMON IN MID-FEBRUARY.) RE UNCTAD NEGOTIATIONS FOR A COMMON FUND, LINDER SAID, SWEDEN IS "RESOLVED TO DO ALL WE CAN TO PROMOTE PROGRESS IN THIS FIELD AT UNCTAD, WHICH IN ITS TURN IS OF IMPORTANCE TO THE NEGOTIATING CLIMATE PENDING THE MEETING OF MINISTERS."

5. OECD. CLOSE COOPERATION BETWEEN INDUSTRIALIZED NATIONS IS INDISPENSABLE. THE ON-GOING COOPERATION AT OECD IS OF GREAT IMPORTANCE TO SWEDEN, LINDER SAID, PARTICULARLY AS SWEDEN DOES NOT TAKE PART IN ECONOMIC UNCLASSIFIED

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SUMMIT MEETINGS. LINDER EMPHASIZED SWEDEN'S INTEREST IN THE OECD CODE FOR THE MULTINATIONAL COMPANIES AND THE IEA'S WORK ON ENERGY MANAGEMENT.

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6. EFTA - EC. ON JULY 1 OF THIS YEAR THE LAST TARIFF REDUCTIONS WILL TAKE PLACE ON THE GREAT MAJORITY OF INDUSTRIAL GOODS IN TRADE BETWEEN SWEDEN AND THE EFTA NATIONS ON THE ONE HAND, AND THE EC ON THE OTHER. A FREE TRADE AREA EMBRACING 16 WEST EUROPEAN NATIONS IS THUS ESTABLISHED: 70 PERCENT OF SWEDEN'S TRADE IS WITH THESE COUNTRIES. RE EFTA, LINDER NOTED, A SUMMIT MEETING WILL BE HELD IN MAY TO STIMULATE FURTHER COOPERATION. HE ALSO NOTED THAT FREE TRADE MATTERS, INCLUDING UNCLASSIFIED

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RULES OF ORIGIN, ARISING UNDER THE EC-SWEDEN AGREEMENT ARE HANDLED IN A JOINT COMMITTEE. LINDER REFERRED OBLIQUELY TO DIFFICULTIES WITH THE EC ON PHASING IN THE PAPER AND STEEL EXPORTS TO THE EC. (RE PAPER AND STEEL, A SLOWER TRANSITION IS PROVIDED, FREE TRADE BEING ACHIEVED IN 1984 AND 1980 RESPECTIVELY.) FURTHER EVIDENCE OF COOPERATION WITH THE EC APPEARED WITH A RECENT FISHERIES AGREEMENT GIVEN SWEDEN'S FISHERMEN THE RIGHT TO CONTINUE FISHING IN THE EC ZONE OF THE NORTH SEA, AS WELL AS COOPERATION ON OTHER ISSUES SUCH AS SHIPPING AND STEEL INDUSTRY. LINDER HINTED AT SOME CONCERN FOR THE IMPENDING MEMBERSHIP IN THE EC OF SEVERAL MEDITERRANEAN COUNTRIES, AT LEAST FOR THE TRANSITION PERIOD UNTIL THEY BECOME FULL MEMBERS--THERE IS A DANGER, HE THOUGHT, THAT SWEDEN MAY BE SUBJECTED TO DISCRIMINATION DURING THE TRANSITION PERIOD. THIS IS UNDER STUDY WITH THE OTHER EFTA NATIONS.

7. NORDIC TRADE. INTRA-NORDIC TRADE IS A CORNERSTONE OF SWEDEN'S FOREIGN TRADE, AND SINCE THE FORMATION OF EFTA HAS BECOME INCREASINGLY IMPORTANT. SWEDISH COMPANIES REGARD THE NORDIC COUNTRIES AS AN EXTENSION OF THEIR DOMESTIC MARKET.

8. STATE TRADING COUNTRIES. LINDER NOTED THE IMPORTANCE WHICH SWEDEN ATTACHES TO THESE TRADING RELATIONS, BUT SAID AS WELL THAT IN 1976 THERE WAS A

DECLINE IN TRADE, DUE IN PART OF SUBSTANTIAL INCREASES IN DEBT TO THE WEST. REFERRING TO THE RECOMMENDATIONS OF THE HELSINKI CONFERENCE WITH REGARD TO TRADING, LINDER STATED THAT THE GOS TRIES TO "ROOT" THE RECOMMENDATIONS IN BILATERAL AGREEMENTS. NEGOTIATIONS TO THIS END TOOK PLACE IN 1976 AND WILL CONTINUE. A FIVE-YEAR TRADE AGREEMENT WITH THE USSR AND A LONG-TERM AGREEMENT WITH VIETNAM HAVE BEEN CONCLUDED.

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9. US. LINDER REFERRED TO THE US IMPOSITION OF SPECIALTY STEEL QUOTAS AND HIS GOVERNMENT'S REQUESTS THAT THE QUOTAS BE REMOVED, CITING AS ONE ARGUMENT THE DIFFICULT SITUATION FACING THE SPECIALTY STEEL INDUSTRY.

10. SWEDISH RESTRICTIONS. SINCE ONE OF THE GOS' GOALS IS TO ACHIEVE FREEST POSSIBLE TRADE, LINDER SAID, THE GOVERNMENT PLANS TO REMOVE RESTRICTIONS IN FOOTWEAR IMPOSED IN 1975. BUT, THE DEPRESSED SITUATION IN THE TEXTILE AND CLOTHING INDUSTRY MAKE IT ESSENTIAL TO LIMIT FUTURE GROWTH OF LOW-PRICED IMPORTS. AGREEMENTS WITHIN THE MULTI-FIBER AGREEMENT OF GATT HAVE BEEN NEGOTIATED.

11. EXCHANGE. SWEDEN HAS EXPERIENCED HEAVY FOREIGN TRADE DEFICITS IN RECENT YEARS, AND ANTICIPATES MORE IN 1977. A CONTINUATION OF EXCHANGE CONTROLS AS ESTABLISHED IN THE PAST IS PLANNED BUT THE GOS IS STUDYING NEW DESIGNS FOR THESE CONTROLS. LINDER REFERRED TO THE GOS POLICY OF ALLOWING COMPANIES AND LOCAL AUTHORITIES TO BORROW ABROAD, WHICH WILL CONTINUE, AND SHOULD ACCOUNT FOR A LARGE PART OF THE NEEDED FINANCING. HE THEN NOTED THE DEPARTURE FROM PRACTICE OF FEBRUARY WHEN THE GOS ITSELF BORROWED ONE BILLION DOLLARS ON THE EURODOLLAR MARKET. THIS MOVE WILL REDUCE THE GOS NEEDS FOR BORROWING LOCALLY, MAKING IT EASIER FOR SOME SMALL COMPANIES TO FIND THE CREDIT THEY NEED. LINDER EXPRESSED CONFIDENCE THAT SWEDEN CREDITWORTHINESS IS SUCH THAT CONTINUED BORROWING ON A SCALE AS NEEDED WILL NOT MEET OBSTACLES, ON THE CONDITION, HE ADDED, THAT RESOURCES ARE CHanneled INTO WAYS OF STRENGTHENING SWEDEN'S COMPETITIVE POSITION. LINDER REGARDED THE EXPERIENCE WITH THE EUROPEAN CURRENCY SNAKE AS SATISFACTORY, AND SAID IT HAS BEEN POSSIBLE TO "MASTER" THE PROBLEMS CREATED LAST FALL BY UNREST ON THE EXCHANGE MARKETS FROM THE DMARK'S STRENGTH. LASTLY, LINDER NOTED SWEDEN'S SUPPORT FOR THE IMF AND

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THE REVISED MONETARY SYSTEM WHICH SHOULD ENTER INTO  
FORCE LATER THIS YEAR.

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009